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April 6, 2009

Ms. Mary Rupp, Secretary of the Board  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

Re: GECU Comments on Advanced Notice of Proposed Rulemaking 704

Dear Ms. Rupp:

This letter is in response to the Notice of Proposed Rulemaking issued by the National Credit Union Administration (NCUA) requesting comments on its proposed changes to part 740 governing the structure and operations of corporate credit unions.

**Role of Corporates in the Credit Union System**

**Payment System**

Natural person credit unions rely greatly on all the services provided by corporate credit unions and we do not agree that isolating payment services from other services such as investment and liquidity functions would be beneficial or efficient. Requiring that payments services be provided independently from other services would increase costs if the corporate was forced to operate without loan and deposit spreads, thus limiting their ability to generate revenue. Restricting corporate credit unions' flexibility in providing a variety of services would hinder their ability to adequately serve natural person credit unions and could inadvertently drive many to obtain payment services from "for-profit" alternatives such as commercial banks.

It is not necessary to require a separate charter for corporates that provide investment services within the broker/advisory role. However, additional legal and operational safeguards should be established for payment system services and other services. We recommend that balance sheets be restructured to reflect payment system risk and liquidity risk autonomously. Dependent upon a corporate's particular activities, different levels of risk should be measured and separate capital level requirements should be set that are prudent and commensurate to the risks identified.

**Liquidity and Liquidity Management**

We believe fulfillment of liquidity needs should continue to be the primary objective of corporate credit unions. All other product offerings should be available within a tighter regulatory climate. Although, natural person credit unions have access to other sources of liquidity beyond the corporates, action should be taken to ensure that they can continue to be the main provider of these services within the credit union movement in a safe and sound manner. Corporates should have the flexibility to provide products and services that are beneficial to natural person credit unions and allow them to remain competitive in the financial industry.

**Field of Membership Issues**

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Returning to defined fields of membership is not necessary and would not reduce risk. Establishing state or regional field of membership requirements would limit the investment options of all natural person credit unions and may foster unfair competition within the corporate network. National charters have resulted in more favorable rates and services for its members and have provided natural person credit unions more diversity in the selection of correspondent and investment service providers.

#### Expanded Investment Authority

Expanded investment authority should not be reduced for corporate credit unions that are equipped to make such investments. As has been demonstrated by the recent crisis, it is possible for even the highest credit rating securities to fail; therefore corporates granted expanded authority should have effective controls in place to manage the associated risks. Capital levels should be commensurate with the level of investment risk.

#### Membership Capital

There should be a requirement that any withdrawal of membership capital be conditioned on the corporates ability to meet all the applicable capital requirements following withdrawal.

#### Risk-Based Capital and Contributed Capital Requirements

NCUA should consider risk-based capital for corporates consistent with that currently required of other federally regulated financial institutions to ensure that asset quality aligns with capital.

Natural person credit unions should not be required to maintain contributed capital accounts with its corporate as a prerequisite to obtaining its services. Such a requirement may discourage natural person credit unions from obtaining services from multiple corporates as it may be very costly to maintain capital accounts at each corporate. We recommend implementing a model similar to that followed by the Federal Home Loan Banks.

#### Permissible Investments

Based on what we have learned within this current crisis, we agree that certain investments should be prohibited, conditioned or limited. Additionally, new types of investments should be evaluated by NCUA to determine its performance and the risks associated with the investment. Corporates should be required to effectively demonstrate they possess sufficient expertise to effectively manage the new investment type and that appropriate control and monitoring processes are in place before the investment is permitted.

#### Corporate Governance

Minimum experience and independence standards should be established for all directors. Corporate board members should possess a high level of knowledge and experience to competently perform their responsibilities. NCUA should provide guidance on the type and level of experience that is desirable for board members. However, corporates should still be able to exercise flexibility in selecting individuals they deem are most suitable. Given the many factors that influence the availability of qualified individuals and the advantages of a diverse board, we advocate that outside directors should be permitted. Compensation for outside directors should be permitted, particularly when stringent educational and experience requirements are imposed. However, it is not necessary for NCUA to allow members of corporates greater access to salary or benefit information for senior management.

We do not believe the current structure of retail and wholesale corporate credit union boards is appropriate given the corporate business model. Additionally, we recommend that a wholesale corporate credit union may, but should not be required, to include directors from natural person

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Steven G. Lutz, Senior Vice President/CFO, GECU

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credit unions and we support limits on terms of directors similar to that of natural person credit unions, including the staggering of terms.

We appreciate the opportunity to present our comments. If you have any questions regarding this letter please contact me at (915)774-8200. Thank you.

Respectfully Submitted,

Steven G. Lutz  
Senior Vice President/CFO, GECU

SGL:dp

From :

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